

A Publication of  
the Massachusetts  
Department of Revenue's  
Division of Local Services

# City & Town

Amy Pitter, Commissioner • Robert G. Nunes, Deputy Commissioner & Director of Municipal Affairs



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**City & Town** is published by the Massachusetts Department of Revenue's Division of Local Services (DLS) and is designed to address matters of interest to local officials.

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## New One-Stop-Shop Web Portal for Municipal Grants Now Available

### Executive Office of Administration and Finance

The Patrick Administration has recently unveiled a new web portal for cities and towns to easily identify grant opportunities that could benefit their communities.

[The Municipal Grant Finder](#) is a one-stop-web shop for local officials and residents to learn about grant opportunities across state government, regardless of which state agency manages a grant program. This tool represents the latest of the Patrick Administration's initiatives to help local officials deliver core services to residents and businesses effectively and efficiently.

The web portal will highlight what resources exist and where to find them, as management of these grants and resources is decentralized among a multitude of state government agencies. The Municipal Grant Finder will now help them navigate state government, by succinctly profiling more than 60 funding and support opportunities for cities and towns.

To use the Municipal Grant Finder, a local official simply selects the appropriate category and is presented with a list of available resources. The user is then connected to detailed information about the grant, the available funding, how to apply and contact information. Local officials no longer need to know which of the Commonwealth's many state agencies manage a specific grant program. With a few clicks, the Municipal Grant Finder can help a local official identify:

- Training to enhance local public safety responses to complex emergencies

- Resources to rehabilitate abandoned and vacant property in a community
- Funding to reduce the municipal solid waste and household hazardous waste in the general waste disposal stream
- A program to support residents transitioning from renting to purchasing a home for the first time
- Funding for renovations to a local library
- Financial support to mitigate the cost of adding a local transit station
- A grant to convert an old railway line to a scenic recreation trail

Working together, the Patrick Administration and the Commonwealth's municipalities have already achieved real, meaningful savings and structural changes to keep costs down so municipalities can make the necessary investments in community services that keep them thriving. Municipal health care reform is providing significant and immediate savings to cities and towns and 257 communities and school districts across the Commonwealth have already collectively saved more than \$247 million in health insurance premiums over the past three years as a result of the landmark municipal health care reform law signed by Governor Deval Patrick in July 2011.

Including Municipal Health Care reform, the Patrick Administration has provided cities and towns with the tools to realize \$3.78 billion in savings, revenue and investments through new local option taxes, increased capital investments and pension reforms. Communities are also achieving savings through innovations achieved through the [Community Innovation Challenge Grant](#) and municipal performance management programs.

To utilize this new tool, click [here](#).

## **Ask DLS**

The following question was submitted in response to frequently asked questions regarding solar and wind power improvements featured in [City & Town's](#) September 4th **Ask DLS**. If you have any other questions, please contact us at [cityandtown@dor.state.ma.us](mailto:cityandtown@dor.state.ma.us). We would like to hear from you.

**Ask DLS indicated that once the local assessors determine that a solar or wind power system is exempt under [MGL c. 59, sec. 5, Clause 45](#), it is exempt for 20 years and a single abatement application is sufficient to apply for the exemption for the duration. If a home (with exempted solar panels under Clause 45) is sold within the 20-year period, must the new homeowner apply**

**for the exemption for it to continue? Will the exemption extend for another 20 years?**

As we stated in [Ask DLS](#), Clause 45 exempts a "solar or wind powered system or device which is being utilized as the primary or auxiliary power system for the purpose of heating or otherwise supplying the energy needs of property taxable under this chapter." One abatement application is sufficient to apply for the 20-year exemption and once the local board of assessors determines that the system or device qualifies for the exemption, it is exempt for the 20-year period. See [IGR 84-209](#).

Because the exemption applies to the qualifying solar or wind power system, the exemption continues when another homeowner acquires the property within the 20-year period. No new application for exemption is required from the new homeowner. A transfer of ownership to a new owner, however, does not extend the exemption beyond the original 20 years.

## **Our DLS Summer Interns**

### **Bureau of Local Assessment and Bureau of Accounts**

The Division of Local Services hired two interns for the summer of 2014. The interns, similar to prior years, assisted Bureau of Accounts and Bureau of Local Assessment staff on different projects as needed. In addition, they were each given an assignment to research, understand and write about a particular topic. The following two articles were written by our interns, Rachel Moran and Ethan Reddington, for whom we thank for their assistance and wish continued success.

## **A Brief Look at the State House Notes Program**

### **Ethan Reddington - Bureau of Local Assessment and Bureau of Accounts Intern**

My name is Ethan Reddington and I'm a sophomore at Bentley University in Waltham. I am interning this summer with the Division of Local Services, assisting both the Bureau of Assessment and Bureau of Accounts. I've been assigned a particular project by the Bureau of Accounts to research and understand the following about the Bureau's State House Notes Program:

- What is the State House Notes Program?
- How old is the Program and why was it established?
- What are State House Notes?
- Which governmental entities are eligible to participate?

- What are the benefits of participating in the program?
- What is the dollar value of State House Notes approved beginning in FY2009 to FY2014 and how many Notes have been approved in each year?
- What can be understood from FY2014's statistics?

### **What is the State House Notes Program?**

The Massachusetts State House Notes Program is a convenient, no-cost Note certification procedure for the issuance of short-term debt and long-term serial Notes by a governmental entity. Administered by the Public Finance Section of the Bureau of Accounts, the Program provides an alternative to the certification of Notes procedure by commercial banks.

### **How old is the Program and why was it established?**

The Program was enacted by Chapter 616 of 1910, effective beginning January 1, 1911 and is now in its 104th year of operation. It was established principally as an attempt to prevent another embezzlement which occurred at that time as a result of forged notes and as an attempt to regulate local government borrowing at the turn of the 20th century.

The Program received the name "State House" Notes because the Bureau of Accounts' office was located at that time inside the State House in Boston.

### **What are State House Notes?**

State House Notes are borrowing instruments for local governmental entities for the short-term. They are known by different names and acronyms:

- Revenue Anticipation Notes (RANs)
- Bond Anticipation Notes (BANs)
- State Aid Anticipation Notes (SAANs)
- Federal Aid Anticipation Notes (FAANs)
- Refunding Notes (long-term)
- Serial Notes

They all, however, must receive certain local approvals and send certain supporting documentation to the Bureau of Accounts for the Director's certification. Lenders await this certification before forwarding funds to the borrower. Certification as to the validity of a Note is a pre-

requisite to accessing the credit market.

### **Which governmental entities are eligible to participate?**

All cities, towns and regional school districts are eligible to participate in the Program. Special purpose districts (such as fire or improvement districts) may be eligible if allowed by their enabling legislation to borrow. County governments must have their Notes certified by the Director of Accounts per MGL c. 35, s. 39B.

### **What are the benefits of participating in the Program?**

Apart from convenience and no-cost, the Program provides a useful service especially to smaller towns and districts with no credit rating from a national credit rating agency such as Moody's, Standard and Poor's or Fitch. Also, the Program can help these entities that borrow relatively small amounts of money for relatively short periods of time.

### **What is the dollar value of State House Notes approved beginning in FY2009 to FY2014 and how many Notes have been approved in each year?**

The following graph shows the dollar amount of State House Notes approved from FY2009 to FY2014. The Table below the graph shows the number of Notes approved.

#### **State House Notes (\$ Approved)**



State House Notes - # of Notes Approved					
FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
443	407	418	494	500	474

The line graph shows that the dollar value of State House Notes certified in FY2009 was \$325.2 million and \$419.4 million in FY2014. This is a \$94.2 million or 29 percent increase for the period shown. The greatest dollar value approved during this period was in FY2014 and the least approved was in FY2010. The Table shows that the greatest number of Notes approved was in FY2013 and the least approved was

in FY2010.

### What can be understood from FY2014's statistics?

For the 474 Notes approved in FY2014, 175 were for cities or towns, 18 for special purpose districts, 28 for regional school districts and 1 for a county. Other statistics showed:

- greatest dollar amount (\$14.9 million), least (\$11,984) and median (about \$449,000)
- greatest interest rate for a Serial Note (3.25%), least (.48%)
- greatest interest rate for a non-Serial Note (1.25%), least (.15%), and median (.55%)
- greatest number of days to maturity for non-serial (454 days), least (15 days), and median (336 days)
- the three top purchasers of Notes were Eastern Bank, UniBank for Savings, and Century Bank
- monthly notes processed showed the greatest in June (92), least in January, March and April (23)

### Notes by Purpose

FY2014 Note Purposes			
Bridge	3	Municipal Purpose	111
Building and Remodeling	31	Public Way - Culvert	3
Cable System Upgrade	1	Recreation - Golf Course	2
Computers and Data Equipment	5	Recreation - Outdoor Facility	5
Conservation Land	2	Revenue	26
Dam Repair	3	School	25
Deficit	2	School Building	14
Departmental Equipment	53	School Equipment	2
Emergency	28	School Feasibility Study	9
Energy Conservation	9	School Plans	2
Engineering and Architectural	9	School Remodeling	30
Gas/Electric Utility	1	Sewer	23
Harbor	1	Solid Waste - Transfer Station	1
Highway	14	Street	7
Land Acquisition	17	Water	33
Landfill	2		

The Table above shows that the greatest number of Notes approved was for Municipal Purpose Loans or MPLs, followed by departmental equipment and then for water purposes. MPLs are loans in which there are two or more separate authorizations for separate purposes. If taken as a group, however, there were 82 Notes borrowed for school purposes.

### Acknowledgments

I would like to thank Deputy Commissioner Bob Nunes for giving me



this opportunity to intern in the Division of Local Services. I would also like to thank Bureau of Local Assessment Chief Joanne Graziano and the entire BLA staff for helping me through the intern process and Director of Accounts Gerry Perry and the entire Bureau of Accounts staff (especially Bill Arrigal) for providing me with the information necessary to complete this article!

## **Understanding Free Cash**

### **Rachel Moran - Bureau of Accounts Intern**

My name is Rachel Moran and I'm a sophomore at Quinnipiac University in Connecticut. I interned this summer with Bureau of Accounts and I've been assigned a project to research and understand the following:

- What is free cash?
- How is free cash calculated?
- How much free cash can a government have?
- When and how can free cash be spent?
- What's so good about having free cash?
- How much free cash has there been in Massachusetts' cities and towns over the last 10 years?
- What can be understood from the last two free cash certifications?

### **What is free cash?**

Free cash is a government's General Fund surplus. If a government received more money than it expected, that's a surplus. If a government spent less money than it budgeted, that's a surplus. At the end of its fiscal year, June 30, the government records all accumulated surplus into one account and reports it on its balance sheet. The balance sheet is then submitted to the Bureau of Accounts for calculation and certification of a free cash amount.

### **How is free cash calculated?**

The free cash calculation begins with the accumulated surplus account found in the fund equity section of the balance sheet called Undesignated Fund Balance by the [Uniform Massachusetts Accounting System \(UMAS\)](#). The amount is then increased or decreased depending on several factors.

1. It is decreased to reserve an overlay. The overlay, sometimes called the "allowance for abatements and exemptions," is

reserved within this fund balance to replace the property tax that certain taxpayers are not legally required to pay.

2. It may be decreased by deficit balances in other funds, appropriations not allowed by the Massachusetts General Laws to be overspent or prepaid.
3. It may be increased, in certain cases, where tax bills were not payable until after the fiscal year was over and in certain cases allowed by the Director where money was received through September 30.
4. It may be increased by an update for certain property tax and other one-time receipts, if allowed by the Director, received from July 1 through the following March 31. If the update is approved by the Director and a deficit occurs the following June 30, a similar update won't be approved for at least another year.

### **How much free cash can a government have?**

There is no legal limit to the amount of free cash that a government can have.

### **When and how can free cash be spent?**

Free cash must be appropriated by the government's legislative body. A government's legislative body is either a city council for a city, town council for a town with a town council form of government, or town meeting for all others towns.

Free cash can be appropriated for any lawful purpose, but can only be appropriated after it is certified by the Bureau of Accounts and to an amount not in excess of the certification.

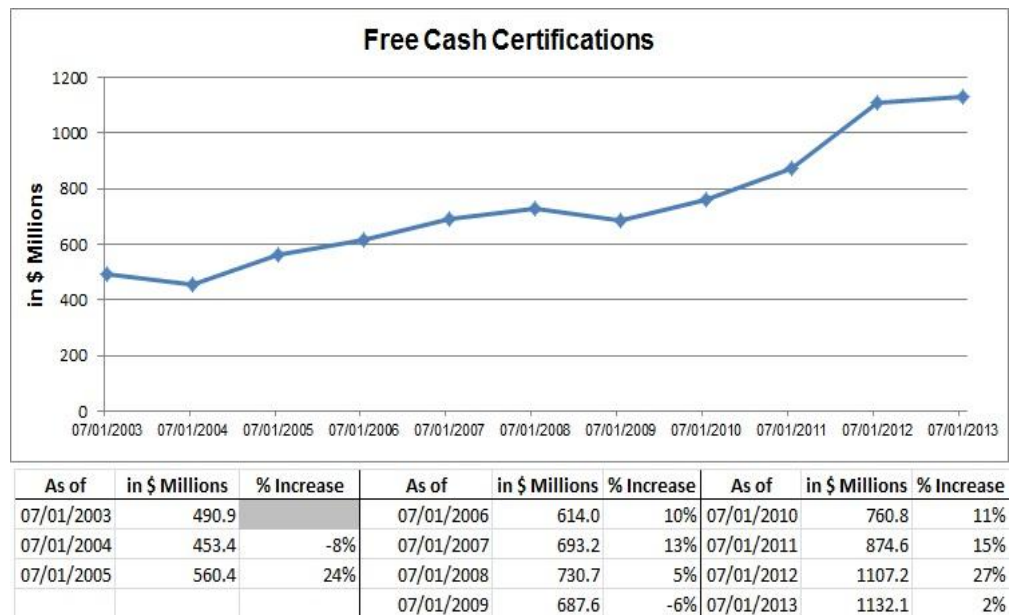
### **What's so good about having free cash?**

It's like having a savings account, not just a checking account. A checking account is used for everyday purchasing, but a savings account is used for extraordinary things or should problems occur. Free cash should be used more like a savings account because it may not regenerate year after year. My review of free cash certifications over the last two years will show this more clearly.

### **How much free cash has there been in Massachusetts' cities and towns over the last 10 years?**

The following graph shows the total amount of free cash certified by the Bureau of Accounts between 7/1/2003 and 7/1/2013.





The above graph shows that free cash overall increased from \$490.9 million as of 7/1/2003 to \$1.132.1 billion as of 7/1/2013. This represents an increase of \$641.2 million or 131 percent. The greatest percentage increase between two consecutive fiscal years was 27 percent between 7/1/2011 and 7/1/2012 and the smallest increase was 2 percent between 7/1/2012 and 7/1/2013. Free cash decreased between two consecutive fiscal years in only two cases (7/1/03-7/1/04 and 7/1/08-7/1/09). Total certified free cash exceeded the \$1 billion mark as of 7/1/2012.

### **What can be understood from the last two free cash certifications?**

The following graph shows free cash certified for the last two years as of July 1, the total separated by cities and towns.



	07/01/2012	07/01/2013	\$ Inc.	% Inc.
<b>Towns</b>	\$ 775,755,868.00	\$ 834,948,031.00	\$ 59,192,163.00	8%
<b>Cities</b>	\$ 331,457,108.00	\$ 297,196,754.00	\$ (34,260,354.00)	-10%
<b>Total</b>	\$ 1,107,212,976.00	\$ 1,132,144,785.00	\$ 24,931,809.00	2%

The above graph shows that over the last two fiscal year certifications, total free cash for towns increased by \$59.2 million, or by eight percent. For cities, total free cash decreased by \$34.3 million, or by ten percent. In total for these two fiscal years, free cash increased by \$24.9 million or by two percent.

For 348 cities and towns with free cash certified in both years, 177 cities and towns experienced an increase to their certified amount. Of these certifications:

- three negative certifications became positive
- one negative certification remained negative, but lesser in amount
- the greatest dollar increase was \$26.3 million
- the greatest percentage increase was 1,133 percent

Of 171 cities and towns that experienced a decrease to their certified amount:

- 167 remained in the positive
- three positive certifications became negative
- one negative certification became an even greater negative
- the greatest dollar decrease was \$32 million

- the greatest percentage decrease was 916 percent

## **Final Thoughts**

Free cash is a local government surplus that must be certified prior to the government's use. It allows a local government to have a fiscal defense against obstacles as well as a fiscal resource for extraordinary expenditures. Yet how free cash is used, for buying, for saving or for reducing taxes, is a local decision.

One final thought. Where did the name free cash come from anyway? According to Tony Rassias, Deputy Director of Accounts, the name goes back at least to the 1920s when the Commissioner of Corporations and Taxation (now Commissioner of Revenue) wrote a letter to assessors and made it clear that they could only apply appropriated cash on hand to reduce the tax rate. Before that time, assessors applied all surplus cash on hand to reduce the tax rate because it wasn't considered proper for a local government to keep it. The Commissioner referred to unappropriated cash on hand as being "free." From that time, unappropriated cash on hand became known as free cash.

I would like to thank Deputy Commissioner Bob Nunes for giving me this opportunity to intern in the Division of Local Services, and to Director of Accounts Gerry Perry and the entire Bureau of Accounts staff for making this a wonderful and rewarding summer for me!

## **Amnesty Tax Offer for Some Massachusetts Taxpayers**

### **MA Department of Revenue**

Spread the word! The Massachusetts Department of Revenue (DOR) is holding a two month amnesty program designed to encourage the payment of delinquent taxes by individuals and businesses. The program, which will run from September 1 through October 31, applies to certain tax liabilities billed on or before July 1, 2014. In September, qualifying taxpayers will receive a Tax Amnesty Notice from the Department of Revenue notifying them that they qualify for the tax amnesty program. Notices will provide taxpayers with their individual period balance, amount of unpaid penalty to be waived if the amnesty balance is paid in full by the due date and the amnesty amount due. Taxpayers who qualify for the amnesty program have already been billed by DOR for their outstanding tax liability. Under the program, DOR will waive all assessed, unpaid penalties for taxpayers who respond by making a full payment on all outstanding taxes and interest for any period listed on the notice by the October 31 deadline.

The amnesty program covers a variety of individual and business tax types including: individual income tax, withholding tax, sales and use tax, meals tax, meals tax local option, personal use tax, cigarette

individual excise tax and cigar/smoking tobacco tax.

For more information about the program and how to participate, DOR has set up a [webpage](#) and [Frequently Asked Questions](#).

## **September Municipal Calendar**

<b>September 15</b>	<b>Accountant/ Assessors</b>	<b>Jointly Submit Community Preservation Surcharge Report</b> This report (CP-1) is a statement of the prior year's net Community Preservation Surcharge levy, and is used to distribute state matching funds on November 15.
<b>September 15</b>	<b>Local Reporting Officers</b>	<b>Submit Smart Growth School Cost Reimbursement Report to DLS</b> Local Reporting Officers report (a) local smart growth property tax and excise tax revenue for prior fiscal year or (b) municipality's waiver of reimbursement.
<b>September 30</b>	<b>Taxpayer</b>	<b>Deadline for Submitting Forest Land Certification and Management Plan, M.G.L. Ch. 61</b> According to M.G.L. Ch. 61, Section 2, this is the deadline to submit to the Assessors the State Forester's certification and approved management plan in order to have the land valued as classified forest land in the next fiscal year.
<b>September 30</b>	<b>Municipal and District Treasurer/Collector</b>	<b>Submit Compensating Balance Report</b> If compensating balance accounts were maintained during the prior fiscal year, a report and account analysis schedules must be submitted to DOR.
<b>September 30</b>	<b>Accountant/ Superintendent/ School Committee</b>	<b>Jointly Submit End of Year Report to the DESE</b>

		<p>Schedule 1 - determines compliance with prior year Net School Spending requirement.</p> <p>Schedule 19 - determines compliance with current year Net School Spending requirement.</p>
<b>September 30</b>	<b>Accountant</b>	<p><b>Submit Snow and Ice Report</b></p> <p>This report is a statement of snow and ice expenditures and financing sources.</p>
<b>September 30</b>	<b>Treasurer</b>	<p><b>Year-End Cash for the Previous Fiscal Year (due upon submission of a balance sheet for free cash/excess and deficiency certification)</b></p> <p>A reconciliation is the process of comparing the Treasurer's accounts to the Accountant's/ Auditor's or Schools Business Manager's ledger balance to determine if they are consistent, and for the officials to make any necessary corrections. When the reconciliation is complete, the Accountant/Auditor/School Business Manager should indicate agreement with the Treasurer's balances. Reconciliations are required annually, but communities and school districts should reconcile monthly for their own purposes. The year-end report as of June 30 must be completed and returned to DOR. Municipalities and school districts should also use monthly reports to monitor cash practices of the Treasurer's office. If the Accountant/Auditor/School Business Manager and Treasurer are not consistently reconciling cash accounts, or if the reconciliations indicate variances, the Mayor,</p>

		Selectmen or School Committee should inquire as to the reasons.
<b>September 30</b>	<b>Treasurer</b>	<p><b>Submit Statement of Indebtedness</b></p> <p>Massachusetts General Laws Ch. 44, Sec. 28 requires the Director of Accounts to maintain complete and accurate records of indebtedness by cities, towns and districts. This statute also requires Treasurers to furnish any other information requested by the Director in respect to the authorization and issuance of loans. This Statement is the annual report required from Treasurers to accomplish this purpose. Treasurers should reconcile their debt records with the Accountant/Auditor before filing the Statement of Indebtedness to ensure that the Statement and balance sheet are in agreement.</p>
<b>Final Day of Each Month</b>	<b>State Treasurer</b>	<p><b>Notification of monthly local aid distribution.</b></p> <p>Click <a href="http://www.mass.gov/treasury/cash-management">www.mass.gov/treasury/cash-management</a> to view distribution breakdown.</p>
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